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Hair oils: Time for consolidation

Aarati Krishnan

UNLIKE shampoos or hair colors, which are products relatively new to the Indian psyche, the usage of hair oil is a deeply ingrained habit with Indian consumers. Therefore, this is one product where the major players do not have to fight either monetary or psychological barriers to usage. But this does not necessarily mean that being a branded player in the Rs 1,300-crore hair oils market is easy.

Branded players account for just over a third of the total hair oil market. Players in the plain coconut oil segment operate in a category where there are few entry barriers in place. Loose oils are priced on the basis of input costs and availability, both of which are notoriously volatile. Since branded players have to grow at the expense of the ubiquitous unorganised segment and a host of regional and local brands, it is difficult to shield margins and selling prices from the vagaries of loose oil prices.

[Click here for Table](#)

Players in value-added hair oils are better off on this count. But competition in this segment is intense with Hindustan Lever, Marico Industries and Dabur India

launching a slew of new products. Ad spends have been on a sharp uptrend.

Input price swings

The price of copra, the key input in coconut based hair oils, has been a key factor determining the fortunes of the major players in this segment. Take Marico Industries. Its brand Parachute dominates the branded coconut oil segment with a 53.7 per cent share (by September 2000). For the financial year 1999-2000, Marico Industries reported a sharp drop in operating profit margins to 6.9 per cent from 8.3 per cent the previous year. The key reason -- an upward spiral in copra prices in the first nine months of the financial year.

Click here for Chart

Between March and November 1999, copra prices climbed 18 per cent. The impact on Marico would have been more dramatic but for the fall in edible oil prices, which are the second largest inputs for the company.

The situation has completely reversed in the first half of 2000-01. Copra prices crashed by close to 21 per cent between March 2000 and January 2001. There has been a visible improvement in Marico's operating profit margins to 8.9 per cent in the first half of 2000-01 from 7.1 per cent the corresponding previous period.

A product price war?

The growth opportunity for the major players in the coconut oil segment lies in recruiting new users from the loose oil segment. Players in this segment are, in effect, walking a tightrope. On the one

hand, passing on the full impact of the upward spiral in input prices to consumers impedes volume growth rates. On the other hand, if they cut prices to match the trends in the loose oil market, the value growth would suffer.

While coconut oil prices spiraled upward between March and November 1999, Hindustan Lever (Nihar) and Marico Industries (Parachute) revised product prices upwards in phases through the year. However, volume growth for Parachute dropped from around 14 per cent in 1999-2000 to 6 per cent in the first half of 2000-01.

Since November 1999, coconut oil prices at the wholesale level have dropped by close to 50 per cent. Though players in the branded coconut oil market held off price cuts until the last quarter of 2000, there have been a series of price cuts on branded coconut oils since then. However, the price war is not yet over, with both players still in the process of trimming prices. Whether these price cuts pay off in terms of healthier sales volumes remains to be seen. However, the drop in sales realisations is likely to impact value growth in this segment adversely.

Growth opportunities

Intense price competition has spurred a consolidation of sorts in the coconut oil segment, with the larger players acquiring small brands with strong regional franchise. Both HLL's acquisition of Cococare and Marico's acquisition of Oil of Malabar have helped add volumes to these players brands. More importantly, the acquisitions have helped the national players gain a better distribution foothold in regional markets.

Value-added hair oils

Given the limited differentiation possibilities in the coconut oil segment, major players in the branded hair oils market have been training their sights on value-added hair oils. This has spawned a range of product innovations -- hair oils with herbal ingredients, non-sticky oils, light hair oils, and lately, dandruff solution hair oil.

An entry into the value-added hair oils segment appears to offer quite a few benefits to the branded players. One, with easier differentiation from the regional and local brands, establishing a brand identity is easier. Two, this makes value-added hair oils less vulnerable to price competition from cheaper alternatives. Third, value addition helps players command a price premium over the no-frills coconut oil brands.

Both herbal oils and non-sticky hair oils have been quite successful as product concepts. Dabur India's Vatika hair oil, one of the first players to milk the herbal category through aggressive advertising, registered a growth rate of 74 per cent in 1998-99. Dabur's hair oils business continued to grow at around 18 per cent in 1999-2000. HLL's Clinic Plus non-sticky hair oil (which combines coconut oil and mineral oil) has also been an unqualified success.



While Parachute continued to remain the lynchpin of Marico's hair care business, it was the value-added hair oils, such as Hair and Care, which clocked higher growth rates of late. While Parachute's growth rate fell from 14 to 6 per cent in the first half of 2000-01, Hair and Care's growth rates improved from around 7 per cent to 23 per cent in the same period.

HLL's Clinic All Clear hair oil and Parachute Dandruff Solution have also entered the fray.

Importantly, while the plain coconut oils have revised their product prices downward, in line with the meltdown in loose oil prices, value-added hair oils have been able to maintain their price line.

Packaging innovations

Drawing on the phenomenal success of this concept in the shampoo market, players in the coconut oil segment have also migrated to low unit packs to rope in new users. Both Marico and HLL have launched 100 ml pouches priced at less than Rs 10.

Apart from making the product more affordable to mass market consumers, the 100 ml pouches are cheaper on a per ml basis than the larger bottles and flip top packs. This is likely to bring in new users from the loose oil segment. Packaging innovations such as all-weather jars and flip top packs have been experimented with over the past year.

Meanwhile, soft trends in input prices have been the driving force behind each of these initiatives. With copra prices on a steady decline, the major players in the hair oil segment have had larger margins to plough back into promotional efforts. Lower input prices also helped bring down the unit costs and helped players effectively compete with the unbranded segment.

Outlook

The continuation of the present price trends in copra would probably determine

the near term financial performance of the large players in the plain hair oils business. On this count, there appears to be no near term cause for worry. A large part of the decline in copra prices is due to the substitution of copra by cheaper imported palmolein.

Even after three successive import duty hikes on palmolein, it continues to remain the cheaper option for industrial users such as the soap industry.

Prospects of a near-term uptrend in coconut oil prices therefore appear remote. With an aggressive price war breaking out between the players in the coconut oil segment, value growth in this segment is likely to remain subdued.

Strategies in this segment will clearly hinge on price. The value-added segment appears likely to sustain the present growth rates of 20-30 per cent.

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After projecting the future amount of tax he has to pay, he adds his prices and he tries to earn more for the purpose of paying his tax which is supposed to be a direct tax. So, actually in reality he not only makes his estimated profits, but also some extra which he can pay as taxes and by doing so, he does not lose anything.

Let us view an example.

Let the tax rate be 10 per cent. The estimated profits are at Rs1,00,000. So, he has to pay Rs10,000 as his direct tax, by which he will have Rs90,000 at the end. Any businessmen does not like to loose.

So, he will fix his profit target as Rs1,10,000. Now, the tax amount will be Rs11,000. Now, he is left with Rs99,000, as against Rs90,000.

Therefore, by fixing two targets the business community bears only 1% of the tax and shifts the balance 90 per cent to the consumers. If 90 per cent of a tax can be shifted, can we call such tax as a direct tax?

Concluding Remarks

If the burden of so called direct taxes can be shifted, how can we say that we use direct taxes as a tool for the purpose reducing economic inequalities?

Further, if the purpose is not fulfilled, why continue the same? You may discontinue all forms of direct taxes and allow the enterprise to grow.

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The Nutty Ad War : The Coconut Oil Controversy by Dimple Ceraviva

Teaches
58% Paraffin
42% coconut.

Hair oil segment is classified broadly as natural oils and perfumed hair oils/creams. Approximately 55 per cent of the total market for hair oil products is with natural oil brands, such as, Parachute, Shalimar, Cococare, Nihar, Anmol, etc. The balance is with perfumed hair care products, which is further sub-classified as : heavy hair oil (Dabur Jasmine, Bajaj Amla), light hair oil (Hair & Care, Dabur Special), cooling hair oil (Banphool, Keshraj), hair tonics/creams (Clinic Active, Brylcreem) and coconut based oils (Clinic Plus, Parachute Herbal).

Marico, one of the major player in the branded coconut hair oil segment, fired the first missile during July 1996 by launching a three-day mass media advertising warning consumers that a particular brand of hair oil (to be read as Clinic Plus Hair Oil from Hindustan Lever Limited) was 'not pure coconut oil'. The ad copy says: "When they say plus, they mean 42 per cent coconut oil plus 58 per cent paraffin"; and "When we say Parachute, we mean 100 per cent coconut oil. When you use coconut oil, don't buy diluted, buy 100% pure." The base line of the ad: "100% coconut oil. 0% Paraffin."

Hindustan Lever Limited (HLL) promptly approached MRTP Commission and within four days obtained an ex parte interim stay order on the Marico campaign. And it issued a notice in public interest by the first week of August with the head line: "Misleading advertising by Parachute Coconut Oil stopped by the MRTP Commission."

In the second round of coconut oil ad war, HLL released an ad with the message: "Misleading advertisement by Parachute coconut oil stopped by the MRTPC". However, on the same day of HLL's ad, Marico released an improved ad. Marico continued with the same position of purity of its hair oil. In the place of bottle with the + sign, there was a large Parachute bottle. Base line of the previous ad got transformed into the headline: "100% coconut oil. 0% paraffin." The copy in large point said: "This symbol stands for 100% purity."

Further, Dabur joined the game during mid August 1996 with a campaign. It's copy: "Dabur Vatika Hair Oil. Neither Paraffin nor Cooking Oil. Just Pure Coconut Hair Oil enriched with Henna, Amla and Lemon." The ad also mentions at the bottom: "Notice issued in the interest of healthy and beautiful hair."

It is paradoxical that the same HLL which approached MRTP Commission in 1996, has been adopting advertisement strategies for quite some time, which directly affect the Indian sensibilities, especially the coconut heritage of Kerala. For example, HLL's TV commercial for Clinic Plus brand of coconut hair oil depicts characters which are shown in the act of impressing upon a girl child that using pure coconut oil is not desirable and that using HLL's product (which is only half-pure coconut oil) is a better proposition. The girl child in the advertisement is shown to be ridiculed by her schoolmates as 'Chipku Chipku' just because she is using pure coconut oil. The child is later shown to be changing her preference and start using HLL's product in place of pure coconut oil. In general HLL seems to be attempting to lower the self-esteem of users of pure coconut oil so that they move to other products. This is highly deplorable. There are several examples in India, especially in the state of Kerala, of great leaders, male and female, in various walks of life, who have been regular and proud users of pure coconut oil.

It is unfortunate that a company such as HLL (or its ad agency) is not aware of the fact

that coconut oil has been used in India for several centuries and has assumed an important place in Indian psyche, culture and hair care. Pure coconut oil has properties which have been proved medicinally, and it is also included in several Ayurvedic scriptures as beneficial oil in its natural form. It is certainly an ethnic product of Kerala, which promoted good health. In complete disregard to these facts, HLL is seeking to run down pure coconut oil. This is just to promote HLL's product, which contains about half mineral oil that does not have the same properties as pure coconut oil. In fact, HLL is giving a false impression that diluted coconut oil provide the same benefits as pure unadulterated coconut oil. The Clinic Plus product pack speaks of healthy hair, when in fact, the proportion of pure coconut oil providing health is only half. This is nothing but playing a trick on the consumer.

It is not in the interests of Kerala to let coconut oil and its users be ridiculed in such a crass manner. HLL must be aware that not only does the coconut oil industry provide employment to several thousands of people especially in Kerala, but also supports many small-scale industries. While promoting the products of HLL, it can not be insensitive to such a large strata of the Kerala economy and society.

HLL is using children in its TV commercials, by which it tries to ensure that a generation of consumers would reject coconut oil and get misled into using HLL products. HLL should follow ethical trade practices, which are in conformity with the culture and sensibilities of Kerala.

To sum the Aftermath of War :

- Ad wars is an indication of higher level of competition which seeks superior creative quality.
- Question unanswered : Does such comparative advertising work in a functional product category such as hair oil where awareness levels do not determine brand shares?
- Such an advertising offensive may yield short-term gains but ultimately the player will have to fight it out on the basis of its superior functional performance and creative execution.

[Key : advertising, hair care, hair oil, coconut oil]

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Synopsis

The objective of this research was to investigate the effect of concentration and delivery system on skin permeation of α -tocopherol (α -T). Also, the addition of sunscreens and oleic acid on α -T permeation was studied using an *in vitro* micro-Yucatan pig skin model. Various delivery systems of α -T (1%) were formulated, which included simple solution, gels, emulsions, and microemulsions. The experimental design chosen for this study was a statistical randomized complete block design. α -T delivery was proportional to its concentration. The hydroalcoholic gel delivered significantly higher amounts of α -T into the receptor than the other gels used. A microemulsion containing isopropyl myristate emerged as the best delivery system for α -T among all the systems studied. Pig skin is a suitable *in vitro* model for studying the permeation of α -T and possibly other antioxidants, though *in vivo* experiments in humans are required to further corroborate the data. 161

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Effect of mineral oil, sunflower oil, and coconut oil on prevention of hair damage

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Accepted for publication April 29, 2002.

Synopsis

Previously published results showed that both *in vitro* and *in vivo* coconut oil (CNO) treatments prevented combing damage of various hair types. Using the same methodology, an attempt was made to study the properties of mineral oil and sunflower oil on hair. Mineral oil (MO) was selected because it is extensively used in hair oil formulations in India, because it is non-greasy in nature, and because it is cheaper than vegetable oils like coconut and sunflower oils. The study was extended to sunflower oil (SFO) because it is the second most utilized base oil in the hair oil industry on account of its non-freezing property and its odorlessness at ambient temperature. As the aim was to cover different treatments, and the effect of these treatments on various hair types using the above oils, the number of experiments to be conducted was a very high number and a technique termed as the Taguchi Design of Experimentation was used. The findings clearly indicate the strong impact that

*(stated)
mineral oil
is Sunflower oil
DO NOT generate
hair fiber.*

coconut oil application has to hair as compared to application of both sunflower and mineral oils. Among three oils, coconut oil was the only oil found to reduce the protein loss remarkably for both undamaged and damaged hair when used as a pre-wash and post-wash grooming product. Both sunflower and mineral oils do not help at all in reducing the protein loss from hair. This difference in results could arise from the composition of each of these oils. Coconut oil, being a triglyceride of lauric acid (principal fatty acid), has a high affinity for hair proteins and, because of its low molecular weight and straight linear chain, is able to penetrate inside the hair shaft. Mineral oil, being a hydrocarbon, has no affinity for proteins and therefore is not able to penetrate and yield better results. In the case of sunflower oil, although it is a triglyceride of linoleic acid, because of its bulky structure due to the presence of double bonds, it does not penetrate the fiber, consequently resulting in no favorable impact on protein loss. 175

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Beyond rheology modification: Hydrophilically modified silicone elastomers provide new benefits

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Accepted for publication July 24, 2002. Presented at the Annual Scientific Meeting of the Society of Cosmetic Chemists, New York, December 7-8, 2000.

Synopsis

The development of silicone elastomers with hydrophilic functionality in the form of PEG substituents provides benefits beyond the rheology modification (thickening) that can be achieved with silicone elastomers that lack functional substituents. We have shown that PEG-modified dimethicone crosspolymer (PEG-DCP) is an effective emulsifier for water-in-silicone (w/s) emulsions where the continuous phase is cyclopentasiloxane. The utility of PEG-DCP for producing simple antiperspirant gels and also multiple emulsions (w/s/w) was demonstrated. Additional benefits for PEG-DCP such as improved compatibility with polar organic oils and reduced syneresis in anhydrous antiperspirants were also shown to be associated with the addition of hydrophilic groups to the silicone elastomer. The performance and physical properties of a series of